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Hungary

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SUBJECT

Hungarian Situation for November

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ORIGIN

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1. Although the Hungarian political "impasse" is no nearer solution than it was last month, both the Small Holders and the leftist factions seem content to postpone their inter-party conferences which would doubtless lead to a showdown and perhaps a real crisis.
2. The Communists and fellow-travellers profit by this delay, as apparently no country or municipal elections will be held this year. The Small Holders seem satisfied that election "reforms" and further purges are not being forced by their opponents.
3. The reshuffling of cabinet members affected only the Small Holders, but by permitting Eröss to accept the Ministry of Public Supply, General Sviridov is rid of him as Chairman of the Committee of Reparations, a change much to Sviridov's liking.
4. Since the Peasant Party is unable to replace Minister of Education and Religion Keresztury with an acceptable man, he remains temporarily in office. The extreme Radical Darvas is not acceptable to Small Holders.
5. Leftist groups have forced public (municipal) ownership of small flour mills. This is the first step toward the socialization of individually owned small businesses.
6. In order to split the Small Holders, Sulyok's Freedom Party has finally been permitted to organize formally. While members of Parliament may not leave the Small Holders temporarily, the future elections will see about fifty percent of the Small Holders votes going to Freedom Party. Sulyok's party is the first officially acknowledged opposition to the present coalition and is technically of the extreme right. Sulyok, however, is actually more democratic than the present Small Holder leaders and will get the support of the democratic nationalist elements.
7. The stability of the forint was badly shaken during November. Dollars offered by Americans were exchanged semi-officially at 17 to 19 forint. Export-import firms were permitted to calculate rates at from 16 to 22 forint with the National Bank officials deciding the exact rate. In mid-November, the black market rate was about 20 to 22 but dropped to 15 to 16 forint by the end of the month.

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8. As the value of the forint declined despite the drastic methods (including terrorism) by the Government to control it, prices have soared. Goods withdrawn from the officially controlled market rose on the black market 20 to 100 percent on foodstuffs and up to 30 percent on textiles.
9. Martial law was declared with automatic minimum sentences of 10 years and judicial maximum of death for black marketeers and exchangers. However, the Minister of Public Supply was forced to permit a 100 percent increase on potatoes and cabbage and 20 percent on lard to induce peasants to sell.
10. A serious raw material shortage and the inability of the public to buy is curtailing production in all but the heavy and electrical industries working for reparations accounts. The consequent unemployment is placing many on public relief, thus further unbalancing the budget. Drastic unemployment is expected within 60 days. With declining production, shoes and textiles are rationed as of 1 December.
11. To balance the growing Russian cultural propaganda, the British Viennese paper "Morning News" will be sold in Hungary where it is hoped the circulation will be 20,000 copies daily. The price will be 30 filler against 40 filler for other Hungarian papers.
12. The leftist groups are leaning westward since the victory of the Communists in France. Interior Minister Laszlo Rajk, leader of the left-wing Communists, is now in Paris conferring with Maurice Thorez.

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